



WEINLANDER FITZHUGH

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TOWNSHIP OF WEST BRANCH WEST BRANCH, MICHIGAN

FINANCIAL STATEMENTS MARCH 31, 2005

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF WEST BRANCH	County OGE MAW
Audit Date 3/31/05	Opinion Date 5/26/05	Date Accountant Report Submitted to State: 9/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

WEINLANDER FITZHUGH

Street Address

1600 CENTER AVE

City

BAY CITY

State

M/

ZIP

48708

Accountant Signature

[Signature] CPA

Date

9/12/05

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INDEPENDENT AUDITORS' REPORT

May 26, 2005

Township Board
Township of West Branch
West Branch, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of West Branch, West Branch, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Township of West Branch as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

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WEINLANDER FITZHUGH

Township Board
Township of West Branch
May 26, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as listed in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2005 on our consideration of the Township of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Weinlander Fitzhugh

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Our discussion and analysis of the Township of West Branch's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005.

Financial Highlights

State shared revenues accounted for \$177,856 or 50% of the Township's general fund revenues. In addition, tax collection revenue and fees were \$123,975 or 35% of the Township's general fund revenues. The general fund reported a decrease in fund balance of \$25,487.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of West Branch financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds—the General Fund, Gypsy Moth Fund, Water and Sanitary Sewer Fund and Water 2 Fund. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and the Gypsy Moth Fund (Required Supplemental Information)

Other Supplemental Information

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- **Governmental Activities**—Most of the Township's basic services are reported here, including the fire, streets and general administration. Sales taxes (stated shared revenues) and property taxes finance most of these activities.
- **Business Type Activities**—The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- **Component Unit**—The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds—not the Township as a whole. Some funds are required to be established by State law or by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

This fund presents the Township's water and sewer operations that are managed by the Ogemaw County Department of Water and Sewer and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the fiscal year ending March 31, 2005.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government -wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2005.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

<u>Exhibit A</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	\$ 488,432	\$ 705,971	\$ 1,194,403
Capital assets - net of accumulated depreciation	<u>19,511</u>	<u>2,828,471</u>	<u>2,847,982</u>
Total assets	<u>507,943</u>	<u>3,534,442</u>	<u>4,042,385</u>
Liabilities			
Current liabilities	18,611	203,386	221,997
Long-term liabilities	<u>0</u>	<u>1,270,000</u>	<u>1,270,000</u>
Total liabilities	<u>18,611</u>	<u>1,473,386</u>	<u>1,491,997</u>
Net Assets			
Invested in capital assets - net of related debt	19,511	1,423,231	1,442,742
Unrestricted	<u>469,821</u>	<u>637,825</u>	<u>1,107,646</u>
Total net assets	<u><u>\$ 489,332</u></u>	<u><u>\$ 2,061,056</u></u>	<u><u>\$ 2,550,388</u></u>

Exhibit A focuses on net assets. The Township's total net assets were \$2,550,388 at March 31, 2005. Capital assets - net of related debt, totaling \$1,442,742 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets.

The \$1,107,646 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2005. Exhibit B provides a summary of the Township's operations for the year. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year ending March 31, 2004 is not available.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Exhibit B

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue			
Program revenue:			
Charges for services	\$ 26,224	\$ 302,662	\$ 328,886
Grants and contributions	0	222,885	222,885
General revenue:			
Taxes	123,975	0	123,975
State shared revenue	177,856	0	177,856
Interest and investment earnings	3,989	9,527	13,516
Other	24,804	15,828	40,632
	<u>356,848</u>	<u>550,902</u>	<u>907,750</u>
Function/Program Expenses			
Legislative	49,937	0	49,937
General government	135,651	0	135,651
Public safety	42,929	0	42,929
Public works	149,298	0	149,298
Other	11,689	0	11,689
Water and Sewer	0	311,460	311,460
	<u>389,504</u>	<u>311,460</u>	<u>700,964</u>
Increase (Decrease) in Net Assets	<u>\$ (32,656)</u>	<u>\$ 239,442</u>	<u>\$ 206,786</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type Activities* this year was \$700,964. Certain activities were partially funded by \$328,886 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$222,885. We paid for the remaining 'public benefit' portion of our governmental and business-type activities with \$123,975 in taxes, \$177,856 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$206,786, mainly due to actual expenditures being less than anticipated. There were no significant revenue increases this year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The governmental activities net assets experienced a decrease of \$32,656 resulting from actual expenses incurred being above expected levels. There were significant expenditure increases in contracted road construction during 2005.

The water and sewer funds experienced an increase of \$239,442 resulting from new customer charges over expenditures for the year.

The Township's Funds

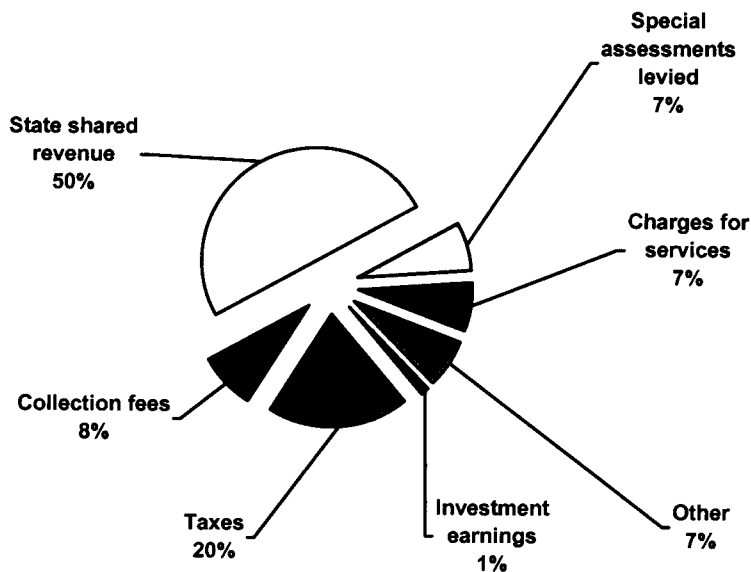
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$469,821, which is a decrease from last year's total of \$504,570. The schedule below details the fund balance and the total change in fund balances as of March 31, 2005.

	Fund Balance March 31, 2005	Fund Balance March 31, 2004	Increase (Decrease)
General fund	\$ 397,487	\$ 422,974	\$ (25,487)
Special Revenue funds	72,334	81,596	(9,262)
Total	<u>\$ 469,821</u>	<u>\$ 504,570</u>	<u>\$ (34,749)</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the major sources of the Township's governmental revenues.



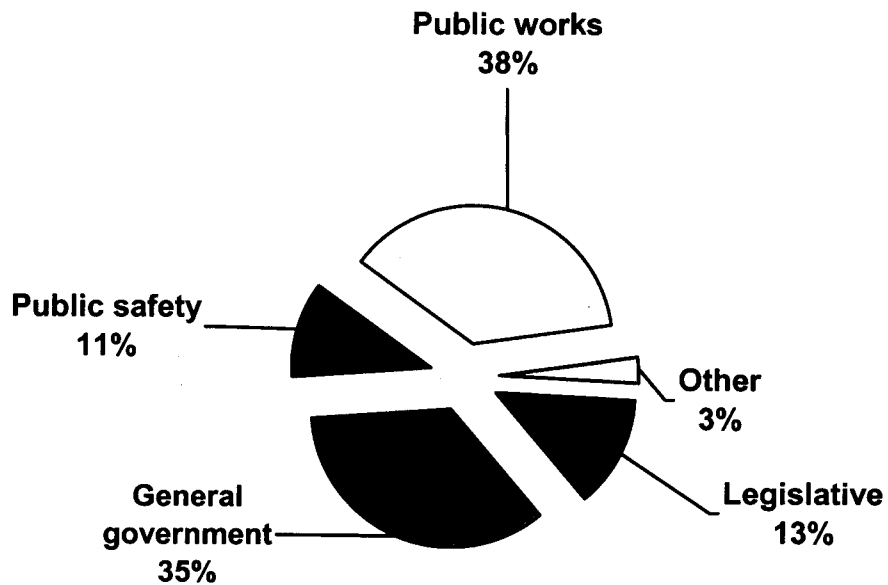
The chart below compares current year revenues with last year.

	2005	2004	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 70,624	\$ 57,965	22%
Collection fees	28,445	26,064	9%
State shared revenue	177,856	180,564	-1%
Special assessments levied	24,906	16,318	53%
Charges for services	26,224	11,298	132%
Interest	3,989	2,573	55%
Licenses and permits	603	898	-33%
Other	24,201	19,036	27%
Total	<u>\$ 356,848</u>	<u>\$ 314,716</u>	<u>13%</u>

Overall, 2005 revenues are up \$42,312 or 13% mainly due to new business relocating into the Township and requiring services.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2005	2004	Percentage Change
<i>Expenditures by Function</i>			
Legislative	\$ 49,937	\$ 29,680	68%
General government	137,744	129,695	6%
Public safety	42,929	33,292	29%
Public works	149,298	22,993	549%
Other	11,689	4,128	183%
Total	<u>\$ 391,597</u>	<u>\$ 219,788</u>	<u>78%</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Expenditures are up \$171,809 from 2004 mostly due to the repairs and maintenance and contracted road construction.

Water and Sewer System Funds -The Township's Proprietary funds (the Water and Sewer and Water 2 Enterprise Funds) reported net assets of \$2,061,056, which is an increase of \$239,442 over last year's net assets of \$1,821,614. Operating revenues exceeded operating expenses for the year due to new businesses moving into the Township.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted expenditures increased by about \$30,690 during the fiscal year. This is mainly due to business loop improvement expenditures performed during the fiscal year.
- Actual revenues for the year were \$89,830 less than anticipated. This was mostly a result of transfers from other funds not being received during the fiscal year.
- Actual expenditures for the year were \$77,333 less than anticipated, mainly due to the uncertainty of state revenue sharing. It was anticipated that the expenditures contained in the budget would exceed projected revenue by \$12,990. To be fiscally responsible, budget expenditures were limited to projected revenue amounts.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Capital Assets

At March 31, 2005, the Township had \$3.8 million invested in a broad range of capital assets, including land, buildings, equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of \$3,953 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 0	\$ 0	\$ 26,700	\$ 26,700	\$ 26,700	\$ 26,700
Land improvements	2,350	0	0	0	2,350	0
Buildings and improvements	21,860	21,860	0	0	21,860	21,860
Equipment	17,110	15,507	0	0	17,110	15,507
Water and Sanitary	0	0	1,680,130	1,680,130	1,680,130	1,680,130
Water 2 System	0	0	2,065,375	2,065,375	2,065,375	2,065,375
 Total capital assets	 41,320	 37,367	 3,772,205	 3,772,205	 3,813,525	 3,809,572
 Less accumulated depreciation	 21,809	 19,949	 923,974	 841,857	 945,783	 861,806
 Net capital assets	 <u>\$ 19,511</u>	 <u>\$ 17,418</u>	 <u>\$ 2,848,231</u>	 <u>\$ 2,930,348</u>	 <u>\$ 2,867,742</u>	 <u>\$ 2,947,766</u>

This year's additions for governmental activities of \$3,953 included land improvements and equipment. No debt was issued for this equipment.

There were no current year additions for business-type activities.

We present more detailed information about our governmental activities capital assets in the notes to the financial statements. We anticipate no significant capital additions next year.

Capital additions to our business-type activities for next year have not been determined.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Debt

At the end of this year, the Township had \$1,425,000 in long-term debt outstanding versus \$1,630,000 in the previous year. The Township's debt is related to water and sewer system improvements reported in the proprietary funds. This debt is summarized as follows:

	<u>2005</u>	<u>2004</u>
Bonds payable	\$ 795,000	\$ 930,000
Lease payable	<u>630,000</u>	<u>700,000</u>
	<u>\$ 1,425,000</u>	<u>\$ 1,630,000</u>

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. There are many roads in the Township that require improvements, as well as increased costs to provide public safety services.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 1705 S. Fairview Road, West Branch, MI 48661.

TOWNSHIP OF WEST BRANCH
Statement of Net Assets
March 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 455,217	\$ 566,272	\$ 1,021,489	\$ 159,691
Receivables:				
Accounts receivable	0	84,312	84,312	0
Assessment receivable	87	46,066	46,153	0
Accrued interest receivable	0	1,880	1,880	0
Taxes receivable	8,301	0	8,301	0
Due from other governmental units	0	0	0	9,971
Internal balances	24,827	(24,827)	0	0
Bond discount	0	8,596	8,596	0
Reserve deposits	0	3,912	3,912	0
Capital assets less accumulated depreciation	19,511	2,848,231	2,867,742	36,436
 Total assets	 507,943	 3,534,442	 4,042,385	 206,098
<u>Current Liabilities</u>				
Accounts payable	7,105	30,601	37,706	0
Accrued interest payable	0	17,785	17,785	0
Accrued liabilities	1,535	0	1,535	0
Due to other governmental units	9,971	0	9,971	0
Bonds payable	0	85,000	85,000	0
Capital lease	0	70,000	70,000	0
Total current liabilities	18,611	203,386	221,997	0
<u>Long-term Liabilities</u>				
Bonds payable	0	710,000	710,000	0
Capital lease	0	560,000	560,000	0
Total long-term liabilities	0	1,270,000	1,270,000	0
 Total liabilities	 18,611	 1,473,386	 1,491,997	 0
<u>Net Assets</u>				
Investment in capital assets - net of related debt	19,511	1,423,231	1,442,742	36,436
Unrestricted	469,821	637,825	1,107,646	169,662
Total net assets	\$ 489,332	\$ 2,061,056	\$ 2,550,388	\$ 206,098

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government							
Governmental activities:							
Legislative	\$ 49,937	\$ 0	\$ 0	\$ (49,937)	\$ 0	\$ (49,937)	\$ 0
General government	135,651	14,100	0	(121,551)	0	(121,551)	0
Public safety	42,929	3,015	0	(39,914)	0	(39,914)	0
Public works	149,298	9,109	0	(140,189)	0	(140,189)	0
Other	11,689	0	0	(11,689)	0	(11,689)	0
Total governmental activities	389,504	26,224	0	(363,280)	0	(363,280)	0
Business-type activities:							
Water 2	183,248	194,813	56,445	0	68,010	68,010	0
Water and sanitary sewer	128,212	107,849	166,440	0	146,077	146,077	0
Total business-type activities	311,460	302,662	222,885	0	214,087	214,087	0
Total primary government	\$ 700,964	\$ 328,886	\$ 222,885	(363,280)	214,087	(149,193)	0
Component Units:							
Downtown Development Authority	\$ 238,309	\$ 0	\$ 0	0	0	0	(238,309)
Total component units	\$ 238,309	\$ 0	\$ 0	0	0	0	(238,309)
General Revenues:							
Taxes				123,975	0	123,975	294,988
State shared revenue				177,856		177,856	0
Interest and investment earnings				3,989	9,527	13,516	1,077
Other				24,804	15,828	40,632	0
Total general revenues				330,624	25,355	355,979	296,065
Change in net assets				(32,656)	239,442	206,786	57,756
Net assets - beginning of year				521,988	1,821,614	2,343,602	148,342
Net assets - end of year				\$ 489,332	\$ 2,061,056	\$ 2,550,388	\$ 206,098

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Balance Sheet
March 31, 2005

	<u>General</u>	<u>Gypsy Moth</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 382,883	\$ 72,334	\$ 455,217
Receivables:			
Taxes receivable	8,301	0	8,301
Assessment receivable	87	0	87
Due from other funds	24,827	0	24,827
Total assets	<u>\$ 416,098</u>	<u>\$ 72,334</u>	<u>\$ 488,432</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 7,105	\$ 0	\$ 7,105
Accrued liabilities	1,535	0	1,535
Due to other governmental units	9,971	0	9,971
Total liabilities	<u>18,611</u>	<u>0</u>	<u>18,611</u>
<u>Fund Balance</u>			
Unreserved:			
Undesignated	397,487	72,334	469,821
Total liabilities and fund balance	<u>\$ 416,098</u>	<u>\$ 72,334</u>	<u>\$ 488,432</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2005

Total fund balance - governmental funds		\$	469,821
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of the capital assets	\$	41,320	
Accumulated depreciation		<u>(21,809)</u>	<u>19,511</u>
Total net assets - governmental activities			<u>\$ 489,332</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended March 31, 2005

	General	Gypsy Moth	Total
<u>Revenues</u>			
Taxes	\$ 70,624	\$ 0	\$ 70,624
Collection fees	28,445	0	28,445
State shared revenue	177,856	0	177,856
Special assessments levied	24,906	0	24,906
Charges for services	26,224	0	26,224
Interest	3,221	768	3,989
Licenses and permits	603	0	603
Other	24,201	0	24,201
	<hr/>	<hr/>	<hr/>
Total revenues	356,080	768	356,848
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Legislative	49,937	0	49,937
General government	137,744	0	137,744
Public safety	42,929	0	42,929
Public works	149,298	0	149,298
Other	1,659	10,030	11,689
	<hr/>	<hr/>	<hr/>
Total expenditures	381,567	10,030	391,597
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(25,487)	(9,262)	(34,749)
	<hr/>	<hr/>	<hr/>
Fund Balance - beginning of year	422,974	81,596	504,570
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 397,487</u>	<u>\$ 72,334</u>	<u>\$ 469,821</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balance - total governmental funds \$ (34,749)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense

\$ (1,860)

Capital outlay

3,953

2,093

Change in net assets of governmental activities

\$ (32,656)

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Net Assets
March 31, 2005

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 368,012	\$ 198,260	\$ 566,272
Accounts receivable - net	68,093	16,219	84,312
Interest receivable	1,880	0	1,880
Due from other funds	28,356	0	28,356
Total current assets	<u>466,341</u>	<u>214,479</u>	<u>680,820</u>
Restricted Assets:			
Deferred special assessments	46,066	0	46,066
Reserve deposit	3,912	0	3,912
	<u>49,978</u>	<u>0</u>	<u>49,978</u>
Capital assets - at cost	1,680,130	2,092,075	3,772,205
Less allowance for depreciation	(462,017)	(461,957)	(923,974)
Net capital assets	<u>1,218,113</u>	<u>1,630,118</u>	<u>2,848,231</u>
Other Assets:			
Bond discount	3,325	5,271	8,596
Total Assets	<u>1,737,757</u>	<u>1,849,868</u>	<u>3,587,625</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	29,005	1,596	30,601
Accrued interest payable	1,764	16,021	17,785
Due to other funds	0	53,183	53,183
Bonds payable	40,000	45,000	85,000
Capital lease	0	70,000	70,000
Total current liabilities	<u>70,769</u>	<u>185,800</u>	<u>256,569</u>
Long-term Liabilities:			
Bonds payable	330,000	380,000	710,000
Capital lease	0	560,000	560,000
Total long-term liabilities	<u>330,000</u>	<u>940,000</u>	<u>1,270,000</u>
Total Liabilities	<u>400,769</u>	<u>1,125,800</u>	<u>1,526,569</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	848,113	575,118	1,423,231
Unrestricted	<u>488,875</u>	<u>148,950</u>	<u>637,825</u>
Total Net Assets	<u>\$ 1,336,988</u>	<u>\$ 724,068</u>	<u>\$ 2,061,056</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Revenues, Expenses, and Change in Net Assets
For the Year Ended March 31, 2005

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
Gross service charges	\$ 170,446	\$ 58,661	\$ 229,107
Water costs	102,524	0	102,524
Gross profit	67,922	58,661	126,583
Operating revenues:			
Service connections	24,367	49,188	73,555
Charges, fees, etc.	1,793	14,035	15,828
Total operating revenues	26,160	63,223	89,383
Operating expenses:			
Utilities	4,075	4,697	8,772
Operation and maintenance	17,015	8,587	25,602
Administration	4,817	10,401	15,218
Fiscal and other charges	690	1,447	2,137
Depreciation	33,068	49,050	82,118
Total operating expenses	59,665	74,182	133,847
Operating income	34,417	47,702	82,119
Nonoperating revenues (expenses):			
Interest income	7,806	1,721	9,527
Interest expense	(21,059)	(54,030)	(75,089)
Payment from DDA	56,445	166,440	222,885
Total nonoperating revenues	43,192	114,131	157,323
Change in net assets	77,609	161,833	239,442
Net assets - beginning of year	1,259,379	562,235	1,821,614
Net assets - end of year	\$ 1,336,988	\$ 724,068	\$ 2,061,056

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005

	Water and Sanitary Sewer	Water 2	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 193,966	\$ 104,636	\$ 298,602
Cash payments to suppliers for goods and services	(122,131)	(13,127)	(135,258)
Cash payments to employees for services	(3,017)	(11,055)	(14,072)
Other operating income	1,793	14,035	15,828
Net cash provided by operating activities	<u>70,611</u>	<u>94,489</u>	<u>165,100</u>
Cash flows from capital and related financing activities:			
Collection of customer assessments	6,126	0	6,126
Principal paid on long-term debt	(95,000)	(110,000)	(205,000)
Interest paid on long-term debt	(22,059)	(55,653)	(77,712)
Payments from local units	67,832	169,027	236,859
Net cash provided (used) by capital and related financing activities	<u>(43,101)</u>	<u>3,374</u>	<u>(39,727)</u>
Cash flows from investing activities:			
Decrease in restricted assets	27,889	0	27,889
Interest and investment earnings	6,714	1,721	8,435
Net cash provided by investing activities	<u>34,603</u>	<u>1,721</u>	<u>36,324</u>
Net increase in cash and investments	62,113	99,584	161,697
Cash and investments, beginning of year	<u>305,899</u>	<u>98,676</u>	<u>404,575</u>
Cash and investments, end of year	<u><u>\$ 368,012</u></u>	<u><u>\$ 198,260</u></u>	<u><u>\$ 566,272</u></u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Statement of Fiduciary Net Assets
March 31, 2005

		Tax Collection Fund
	<u>ASSETS</u>	
Cash and investments		\$ 0
	<u>LIABILITIES</u>	
Due to governmental funds		\$ 0

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH

Component Unit

Statement of Net Assets

March 31, 2005

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 159,691
Due from other governmental units	9,971
Land and land improvements	<u>36,436</u>
Total assets	<u>206,098</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	36,436
Unrestricted	<u>169,662</u>
Total net assets	<u>\$ 206,098</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
 Component Unit
 Statement of Activities
For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	<u>\$ 238,309</u>	<u>\$ 0</u>	<u>\$ (238,309)</u>
	General Revenues:		
	Taxes		294,988
	Interest and investment earnings		<u>1,077</u>
	Total general revenues		<u>296,065</u>
	Change in net assets		57,756
	Net assets - beginning of year		<u>148,342</u>
	Net assets - end of year		<u>\$ 206,098</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of West Branch conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of West Branch:

Reporting Entity

The Township of West Branch (Township) was organized in 1885 and covers an area of approximately 36 square miles in West Branch, Michigan. The Township operates under an elected board (five members) and provides services to its residents in many areas including community enrichment and development and human services. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units – The component unit column in the combined financial statements, which represents the financial data of the Township of West Branch Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board appointed by the Township of West Branch Board. The annual budget of the Authority is approved by the Township Board. The Authority cannot levy taxes or issue debt without the approval of the Township Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority can be obtained at 1705 S. Fairview Road, West Branch, MI 48661.

These statements also include the water and sewer systems managed by the Ogemaw County Department of Water and Sewer on behalf of the Township. Generally accepted accounting principles now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the fiscal year ending March 31, 2005.

The financial statements of certain other governmental organizations listed below are not included in the financial statements of the Township as they do not meet the criteria for being a component unit of the township.

Ogemaw Fire Board – The Fire Board is a joint venture with five other local units. The Township appoints one of the six board members and is not financially accountable for the Fire Board.

Ogemaw Hills Recreation Department – The recreation department is a joint venture with six other local units. The Township appoints one of the board members and is not financially accountable for the recreation department.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Township reports the following major funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Gypsy Moth Fund – The Gypsy Moth Fund is used to record transactions relative to the treatment and control of gypsy moth masses in the Township.

Water and Sanitary Sewer Fund – The Water and Sanitary Sewer Fund is used to record transactions relative to the operation of the water and sewer use for the Township of West Branch.

Water 2 Fund – The Water 2 Fund is used to record transactions relative to the I-75 project from Cook Road to M-55 and for future service connections.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings	39 Years
Building and land improvements	15 Years
Equipment	5-7 Years
Water and sewer lines and equipment	15-50 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective April 1, 2004, the Government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Government's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Government's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Statement 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Governmental net assets at April 1, 2004 have been restated as follows:

Total fund equity per 2004 financial statements	\$ 504,570
Capital assets owned by the Township	37,367
Accumulated depreciation on capital assets	<u>(19,949)</u>
Governmental net assets at April 1, 2004	<u><u>\$ 521,988</u></u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than December the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund and Gypsy Moth Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of West Branch incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
<u>Primary Government</u>			
General Fund:			
Public safety	\$ 40,900	\$ 42,929	\$ 2,029
Gypsy Moth Fund:			
Other	\$ 9,650	\$ 10,030	\$ 380

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 455,217</u>	<u>\$ 566,272</u>	<u>\$ 0</u>	<u>\$1,021,489</u>	<u>\$ 159,691</u>
Total	<u><u>\$ 455,217</u></u>	<u><u>\$ 566,272</u></u>	<u><u>\$ 0</u></u>	<u><u>\$1,021,489</u></u>	<u><u>\$ 159,691</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 863,203
Investments	317,322
Petty cash and cash on hand	<u>655</u>
Total	<u><u>\$ 1,181,180</u></u>

The bank balance of the primary government's deposits is \$450,471, of which \$142,935 is covered by federal depository insurance. The bank balance of the component units' deposits is \$159,691, of which \$100,000 was covered by federal depository insurance.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	Carrying Amount, Which Approximates <u>Market</u>
Money Funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 317,322</u>	<u>\$ 317,322</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 21,860	\$ 0	\$ 0	\$ 21,860
Land Improvements	0	2,350	0	2,350
Equipment	15,507	1,603	0	17,110
Subtotal	<u>37,367</u>	<u>3,953</u>	<u>0</u>	<u>41,320</u>
Less accumulated depreciation for:				
Buildings and improvements	10,492	257		10,749
Land Improvements	0	118		118
Equipment	9,457	1,485		10,942
Subtotal	<u>19,949</u>	<u>1,860</u>	<u>0</u>	<u>21,809</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 17,418</u>	<u>\$ 2,093</u>	<u>\$ 0</u>	<u>\$ 19,511</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	<u>\$ 26,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,700</u>
Capital assets being depreciated:				
Water and Sanitary Sewer	1,680,130	0	0	1,680,130
Water 2	2,065,375	0	0	2,065,375
Subtotal	<u>3,745,505</u>	<u>0</u>	<u>0</u>	<u>3,745,505</u>
Less accumulated depreciation for:				
Water and Sanitary Sewer	428,950	33,067	0	462,017
Water 2	412,907	49,050	0	461,957
Subtotal	<u>841,857</u>	<u>82,117</u>	<u>0</u>	<u>923,974</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 2,930,348</u>	<u>\$ (82,117)</u>	<u>\$ 0</u>	<u>\$ 2,848,231</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component unit activities:</u>				
Capital assets not being depreciated:				
Land	<u>\$ 36,436</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,436</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	<u>\$ 1,860</u>
Business-type activities:	
Water and Sanitary Sewer	\$ 33,067
Water 2	<u>49,050</u>
Total business-type activities depreciation expense	<u>\$ 82,117</u>
Component unit activities:	
Downtown Development Authority	<u>\$ 0</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at March 31, 2005 and transfers made during the year ended March 31, 2005 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 24,827	\$ 0	\$ 0	\$ 0
Water and Sanitary Sewer	28,356	0	0	0
Water 2	<u>0</u>	<u>53,183</u>	<u>0</u>	<u>0</u>
	<u>\$ 53,183</u>	<u>\$ 53,183</u>	<u>\$ 0</u>	<u>\$ 0</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6- LONG-TERM DEBT

The following details the Township's long-term debt:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Limited tax bonds 1998, dated November 1, 1998, due in annual installments through 2013, bearing interest rates of 4.00% to 4.85%.	\$ 465,000	\$ (40,000)	\$ 425,000
Limited tax bonds 2000, dated August 1, 2000, due in annual installments through 2013 bearing interest rates of 5.10% to 5.40%.	405,000	(35,000)	370,000
Limited tax bonds 1983, due in annual installments through April 2004 bearing interest rates of 5%.	60,000	(60,000)	0
Obligation under capital lease (Note 7)	<u>700,000</u>	<u>(70,000)</u>	<u>630,000</u>
Totals	<u>\$ 1,630,000</u>	<u>\$ (205,000)</u>	<u>\$ 1,425,000</u>

The County of Ogemaw issued the 1983 bonds to finance a sanitary sewer system in a portion of the Township. Under the terms of a contract between the County and the Township of West Branch, the Township has agreed to pay the County for the cost of its portion of the sanitary sewer system, an amount each year sufficient to retire the Township's share of the bond issue including interest. It is the intention of the Township to finance this contractual obligation, partly with a special assessment levied upon the customers of the system and partly with the revenues generated by the operation of the system. During 2004, these bonds were paid off.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2004	Additions	Retirements and Payments	Balance March 31, 2005	Amount Due Within One Year
Bonds	\$ 930,000	\$ 0	\$ (135,000)	\$ 795,000	\$ 85,000
Capital lease	700,000	0	(70,000)	630,000	70,000
	<u>\$1,630,000</u>	<u>\$ 0</u>	<u>\$ (205,000)</u>	<u>\$1,425,000</u>	<u>\$ 155,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Business-Type Activities	
	Principal	Interest
2006	\$ 155,000	\$ 71,500
2007	160,000	63,917
2008	160,000	55,982
2009	165,000	47,928
2010	165,000	39,452
2011-2014	<u>620,000</u>	<u>66,548</u>
Total	<u>\$ 1,425,000</u>	<u>\$ 345,327</u>

NOTE 7 – CAPITAL LEASE OBLIGATION

In April of 1993, the County of Ogemaw issued \$1,400,000 in bonds in order to pay for the construction of a water supply system in West Branch Township. The County owns the system and leases it to the Township for as long as the bonds remain outstanding. The Township is responsible for operation and maintenance of the system. The Township will own the system when the bonds have been paid.

The bonds are partly payable from taxes collected by the Tax Increment Financing Authority, revenue generated from operation of the water tower and revenue generated from a special assessment roll in the amount of \$1,415,239. Both the Township of West Branch and County of Ogemaw have pledged full faith and credit for repayment of the bonds. The lease calls for the Township to make payments to the County in amounts equal to the bond and interest payments due on the bonds.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 7 – CAPITAL LEASE OBLIGATION (CONTINUED)

Obligations under capital lease have been recorded in the Proprietary Fund at the present value of future minimum lease payments, discounted at interest rates ranging from 3.2% to 5.6%.

The future minimum lease payments under the capital lease and present value of the net minimum lease payments are as follows:

<u>Year Ended March 31,</u>	<u>Lease Payments</u>
2006	\$ 102,760
2007	99,085
2008	95,340
2009	91,525
2010	87,640
Thereafter	<u>311,360</u>
Total future minimum lease payments	787,710
Less amount representing interest	<u>157,710</u>
Present value of future minimum lease payments	<u><u>\$ 630,000</u></u>

NOTE 8 – PENSION PLAN

The Township contributes to a defined contribution pension plan covering all employees and elected officials, but excluding election workers. Contributions to each individual's simplified employee pension account are 15% of each employee's salary or wages. Contributions for the year ending March 31, 2005 were \$12,667. Covered payroll for the year ended March 31, 2005 was \$84,438. Total payroll for the year ended March 31, 2005 was \$85,197.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 9 – RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Sewer</u>	<u>Water 2</u>	<u>Total</u>
Operating income	\$ 34,417	\$ 47,702	\$ 82,119
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	33,068	49,050	82,118
Amortization	415	659	1,074
Changes in assets and liabilities:			
Accounts receivable	(847)	(3,213)	(4,060)
Accounts payable	<u>3,558</u>	<u>291</u>	<u>3,849</u>
Net cash provided by operating activities	<u>\$ 70,611</u>	<u>\$ 94,489</u>	<u>\$ 165,100</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 10 - PROPERTY TAXES

Property taxes are assessed on December 31, levied on the following December 1 and are payable through February 14. The Township bills and collects its own taxes and also taxes for the State of Michigan, County of Ogemaw, West Branch-Rose City Public Schools, Kirtland Community College, C.O.O.R. Intermediate School District, and West Branch District Library. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Township property tax revenues levied December 1, 2004 are recognized as revenue for the year ended March 31, 2005.

During 1996, as a result of a vote of the citizens, a 15 year additional 0.19950 mills was levied for operation of a senior citizen center. These taxes are forwarded to the City of West Branch, owners of the building, for expenditures of the center servicing Ogemaw County.

For the 2004 tax levy, property located in the Township had a taxable value of \$91,443,169. The total millage of 1.1054 consisted of 0.9111 mills for operations and 0.1920 mills for the Senior Citizen Center.

NOTE 11 - RISK FINANCING AND RELATED INSURANCE ISSUES

The Township is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risk of loss.

TOWNSHIP OF WEST BRANCH
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 62,600	\$ 62,600	\$ 70,624	\$ 8,024
Collection fees	23,000	23,000	28,445	5,445
State shared revenue	181,540	181,540	177,856	(3,684)
Special assessments levied	13,000	44,800	24,906	(19,894)
Charges for services	25,000	25,000	26,224	1,224
Interest	2,000	2,000	3,221	1,221
Licenses and permits	600	600	603	3
Other	106,370	106,370	24,201	(82,169)
Total revenues	414,110	445,910	356,080	(89,830)
<u>Expenditures</u>				
Legislative	64,695	64,695	49,937	14,758
General government	164,505	148,505	137,744	10,761
Public safety	40,900	40,900	42,929	(2,029)
Public works	140,060	186,750	149,298	37,452
Other	18,050	18,050	1,659	16,391
Total expenditures	428,210	458,900	381,567	77,333
Net change in fund balance	(14,100)	(12,990)	(25,487)	(12,497)
Fund balance - beginning of year	422,974	422,974	422,974	0
Fund balance - end of year	<u>\$ 408,874</u>	<u>\$ 409,984</u>	<u>\$ 397,487</u>	<u>\$ (12,497)</u>

TOWNSHIP OF WEST BRANCH
Required Supplemental Information
Budgetary Comparison Schedule - Gypsy Moth Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Interest	\$ 300	\$ 300	\$ 768	\$ 468
<u>Expenditures</u>				
Other	9,650	9,650	10,030	(380)
Net change in fund balance	(9,350)	(9,350)	(9,262)	88
Fund balance - beginning of year	81,596	81,596	81,596	0
Fund balance - end of year	<u>\$ 72,246</u>	<u>\$ 72,246</u>	<u>\$ 72,334</u>	<u>\$ 88</u>



WEINLANDER FITZHUGH

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board
Township of West Branch
West Branch, Michigan

We have audited the basic financial statements of the Township of West Branch, Ogemaw County, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated May 26, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of West Branch's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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GLADWIN AND WEST BRANCH

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An Independently Owned Member



WEINLANDER FITZHUGH

Township Board
Township of West Branch
May 26, 2005

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Township Board, management and related regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh